

This letter discusses the rolling stock exemption in regards to watercraft. See 86 Ill. Adm. Code 130.340. (This is a GIL.)

September 28, 2005

Dear Xxxxx:

This letter is in response to your letter dated February 2, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

In reviewing Publication FY2005-04, reference is made to an exemption under the Watercraft Use Tax Act, which includes watercraft acquired by an interstate carrier for hire for use as rolling stock to transport persons or commodities in Interstate commerce.

We represent a client who proposes to have a craft built that will carry passengers at high speed between STATES. The vessel will carry crew personnel and up to one hundred passengers. The vessel is designed solely to carry passengers for hire. The vessel will be licensed by the Coast Guard to carry passengers and will meet all Coast Guard requirements as may be necessary.

Our client has not executed an agreement for construction of this watercraft as of this date and before doing so, wishes to determine whether or not such use will qualify as a transaction exempt under the Watercraft Use Tax Act and from Use and Sales Taxes. The vessel will not be constructed in Illinois, and, prior to execution of the construction contract, the builder also wishes to ascertain whether or not this transaction is subject to Use or Sales Tax in Illinois.

Accordingly, we wish to ascertain the requirements, documents or proofs needed by the State of Illinois in order to establish such an exemption from Sales and Use Tax prior to entering into the construction contract.

We would appreciate your prompt reply to this request.

DEPARTMENT'S RESPONSE:

Watercraft that carry passengers for hire between different states may qualify for the rolling stock moving in interstate exemption from sales taxes provided operation of the watercraft meets the rolling stock exemption requirements. For information regarding the requirements to claim the transaction exempt as rolling stock moving in interstate commerce, please see 86 Ill. Adm. Code 130.340.

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk